



What is Fair-Market Value Rental?

Third Party Owned Facilities

Airport Owned Facilities

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Third Party Developed Facilities

Fair Market Rent For The Developer



Calculation of Minimum Guaranteed Ground Rental

Appraisal of Site	\$5.00 per sq. ft.
CAP Rate	7%
Ground Rental Rate	$\$5.00 \times 7\% = \0.35 per sq. ft.
Site Size	400,000 sq. ft.
Minimum Guarantee	\$140,000 per year

Fair Market Rent in the Airport's Facilities

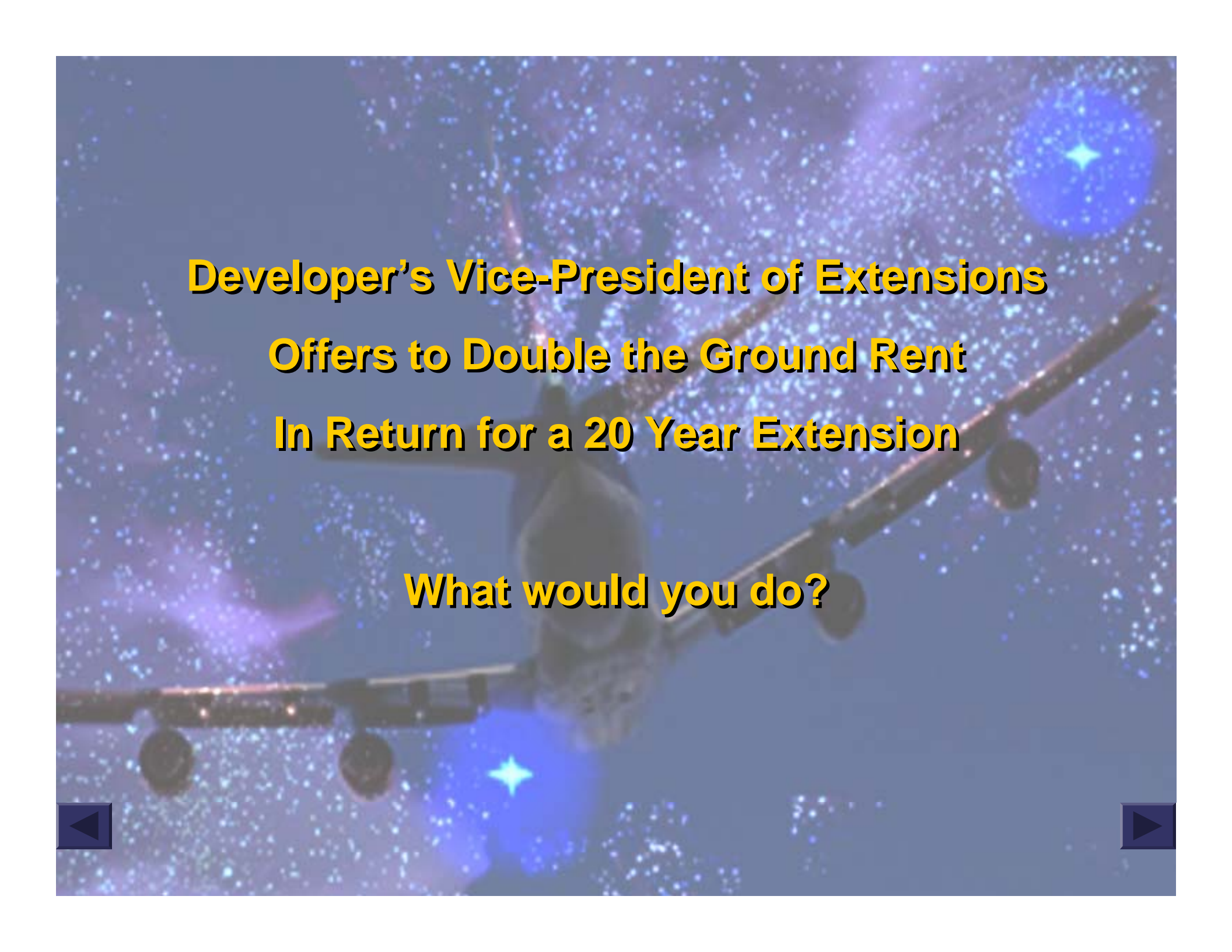
- Market or Cost Approach Rental



Third Party Developed Facilities

Developer Facilities Revert to the Airport at the End of the Lease





**Developer's Vice-President of Extensions
Offers to Double the Ground Rent
In Return for a 20 Year Extension**

What would you do?



The Airport's Residual Interest Has Value

Ground Lease Terms	30 years
Ground Lease Rent to Airport	\$140,000 per yr.
Remaining Useful Life After 30 years	20 years
Extend Ground Lease or Take Building?	

The Airport's Residual Interest Has Value

Rentable Square Feet	250,000 sq. ft.
Rented Square Feet (occupancy)	200,000 sq. ft.
Full Service Rental Rate	\$15 per sq. ft./yr.
Gross Rental Income	\$3.0 million/yr.

The Airport's Residual Interest Has Value

Gross Rental Income	\$3.0 million/yr.
Operating Expense and Repairs (\$8 per sq. ft./yr.)	\$2.0 million/yr.
Net Income	\$1.0 million/yr.

Extend Ground Lease or Take Building?



The Airport's Residual Interest Has Value

Extend Ground Lease or Take Building?

Ground Lease, Offer (\$280,000/yr.) Take Building (\$1.0m/yr.)

After 20 years (\$5.6 million)

After 20 years (\$20 million)

A \$14.4 Million Decision!

The Beauty of Flight

